

THE DIGITAL REVOLUTION - AN ESSENTIAL ELEMENT IN REDUCING REGIONAL ECONOMIC DISPARITIES

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Abstract

The digitization of the economy and the involvement of human capital in this process contribute to achieving the objective of reducing economic disparities between different regions. Technological progress and digitization lead to sustainable economic development. Countries with higher levels of digitization outperform others in terms of innovation, economic growth and quality of life. Sustainable Development represents, in the Romanian context, the desire to achieve a balance, a synthesis between the aspirations of the free-born citizen, the society on which it depends and through which it is defined, and the context that allows self-realization. This balance starts from man, the central actor who seeks an individual balance and favorable conditions to achieve it. The favorable conditions are influenced by the society that must support and motivate him and by the environment through which he finds himself and can find his balance. The role of the state in the context of sustainable development is to help achieve this balance, not only for citizens now, but also for future generations. In this context, digitization and fiscal efficiency become essential elements of fiscal sustainability. The technology is a critical element for financial-banking institutions, which would make it easier for them to restructure their traditional operating models, for a much-needed increase in agility and efficiency.

Keywords: digital skills, digital revolution, fiscal efficiency, sustainable economic development.

Clasificare JEL : C30, D22

1. Introduction

Emerging markets and traditional business models are beginning to become highly constrained by the need to adapt to the continuous changes and macro and micro economic dynamics of today.

On a microeconomic level, digitization has rapidly moved from fad to absolute necessity for companies seeking revenue growth and remaining competitive in today's environment.

Therefore, an organization is considered successful if it possesses a sustainable competitive advantage over its rivals in the market, acquired through reduction of operational costs, organizational style or differentiation. Cost reduction (perceived most of the time only as simplification of processes) does not necessarily imply sacrificing the ability to differentiate. By using the right tools and making efficient use of available resources, we can have both.

Nowadays, as a result of declining profits, rapid changes in the market and increasingly high consumer expectations, companies are starting to consider different digital systems, which have proven to be highly effective in increasing the competitive sustainability of companies and of profit margins.

Modern technology is closely dependent and related to access to data. Due to the constant increase in the flow of data, machine learning systems, cost reduction and innovations are becoming a business reality, the order of the day, and digitization practices enable completely new business models.

Thus, digitization can be considered a completely new factor of production, reversing the trend of the last years of decreasing profits, by optimizing processes. Intelligent automation systems improve human work and contribute to the continuous innovation process.

In this sense, technologies are becoming more and more prominent around the world, going far beyond the IT sector or just a part of the industries. In fact, the entire economy is experiencing a constant increase in production capacity and industrial growth, moving to new products and services derived from emerging technologies such as artificial intelligence, machine learning, CRM systems and other similar processes or systems based on computing.

At the macroeconomic level, for sustainable development to succeed in Romania, it must be strategically built around the citizen and the needs of future generations.

The strategy starts from the premise that sustainable development presents a framework of thinking that, once appropriated by the citizen, will help create a fairer society, defined by balance and solidarity and able to face the changes brought about by current global and regional problems and national.

Digital transformation has changed society and the economy, having an ever-increasing impact on everyday life. However, before the COVID-19 pandemic, its impact on education and training was much more limited. The pandemic has shown that it is essential to have an education and training system ready for the digital age. [3]

Recent years have demonstrated the need for more developed digital capabilities in education and training.

Moreover, it has led to the accentuation of existing challenges and inequalities between those who have access to digital technologies and those who do not, including people from disadvantaged backgrounds. [4]

2. Digitization, the source of operationalization

At the European level, important steps have been taken in the area of digitization and especially institutional operationalization. Since 2014, the European Commission has been monitoring the progress made by Member States in the digital field through the Digital Economy and Society Index (DESI) reports.

DESI (Digital Economy and Society Index) measures the progress that the member states of the European Union are making in the direction of a digital economy and society. DESI is calculated annually and is composed of five major areas: connectivity, human capital, internet use, digital technology integration and digital public services.

Starting in 2023 and in line with the Digital Decade 2030 policy programme, DESI is now integrated into the Digital Decade Status Report and used to monitor progress towards the digital goals.

From 2014 to 2022, the Digital Economy and Society Index (DESI) summarized indicators of Europe's digital performance and tracked the progress made by EU countries.

Unfortunately, our country has the lowest growth rate of the DESI index in the last seven years. European convergence of digitization is becoming more and more distant. Only a fundamental reform can change the perspective.

In the area of taxation, technological transformations, together with the pressure coming from the need to align with new mandatory reporting or from the obligation to apply some IFRS standards accelerated the digitization of financial institutions last year.

The changes happened as employees were forced by the pandemic to adopt remote work, and the connection with customers was kept mostly through digital channels. At the same time, the role of the tax function has become increasingly important, and the decision to invest in technology for tax use has become an attribute of reducing risks and facilitating the documentation and presentation by financial institutions of complete, correct and provided information on time, including in the event of fiscal controls, based on the strengthening of virtual communication between authorities and taxpayers. [1] New technologies allow banks, insurers and other established financial services companies to review their operations and identify better and faster

ways to serve their customers, but also to streamline certain operations with fiscal impact. In other words, to create a competitive advantage in keeping the market share on the one hand, and on the other hand, in certain cases, to improve certain financial indicators. [4]

Therefore, it is urgently necessary to obtain a coherent and integrated digital infrastructure at the level of public administration and financial institutions in Romania, which can offer high-quality digital services to both citizens and companies. By achieving this objective, the conditions are created for the adoption of digital technologies in all sectors and fields of activity of state institutions and for increasing the number of citizens and companies that will be able to benefit and reap the benefits offered by digitization. The large-scale implementation of digital solutions would contribute to increasing the degree of transparency of the activity of state authorities and reducing bureaucratic barriers, also contributing to the achievement of sustainable development objectives.[7]

3. Conclusions

Technology is a critical element for financial-banking institutions, which would make it easier for them to restructure their traditional operating models, for a much-needed increase in agility and efficiency. Let's also not forget that financial services companies operate in a highly regulated environment, which requires them to manage digital transformation differently, with maximum transparency and trust, which could slow down their transformation process. [4]

The center of gravity of success will be the use of advanced technology and the creation of a digital ecosystem that lowers costs while offering better products and experiences for customers, i.e. that competitive advantage that will give financial institutions their role in the market.

On the other hand, however, a permanent observation of fiscal regulatory trends will help further synchronization regarding fiscal reporting, but also the open relationship with the authorities in this field. Digitization, including the fiscal one, will follow an upward trend in the coming years, both at the institutional level and for taxpayers. [4]

Digitization is an inevitable change that any company that wants to remain competitive and continue to develop must take on. Customers have changed, companies must adapt to new consumer habits, and so must business management. Digitization is an essential step for positioning the business in this hyper-connected world.

4. Bibliography

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Links:

[5] <https://dezvoltaredurabila.gov.ro>

[6] <https://oportunitati-ue.gov.ro/program/programul-europa-digitala/>

[7] <https://digital-strategy.ec.europa.eu/ro/library>

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